FY16 half year results

Senex
Senex Energy Limited

Ian Davies, Managing Director and CEO
Graham Yerbury, Chief Financial Officer

Brisbane, 23 February 2016

Ian Davies
Managing Director and CEO

Highlights

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Key takeaways

Cover slide imagery shows: Easternwell Rig 106 mobilised to the Ethereal-1 gas exploration well site (Origin Energy joint venture)

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Key takeaways

Maintaining financial strength and pursuing growth

- Strong financial position
- Successful cost out program
- Disciplined capital allocation in pursuit of growth
- Strongly positioned for an oil price recovery

H1 FY16 business highlights

Solid performance in a challenging market

Corporate	• **Improved safety** performance, with TRIFR down 22% reflecting maintained commitment in a challenging market • **Strengthened financial position:** cash balance of $100 million and no cash drawn down on our debt facility of $80 million • **Value accretive transactions**: a series of strategic transactions in the Surat Basin resulted in recognition of $38 million gain on sale of the Maisey block
Gas	• **Stage 1 unconventional gas** opportunity with Origin Energy: early success in first two wells drilled, production testing to commence shortly • **Western Surat Gas Project**: strategic agreements completed with GLNG provide commercialisation and financing pathway for this project
Oil	• **Solid production** performance from oil portfolio: continuing to deliver a strong margin • **Murta tight oil project:** capital and risk sharing transaction completed with Halliburton, and two wells fracture stimulated

(1) TRFIR = Total Recordable Injury Frequency Rate. H1 FY16 TRIFR of 3.07 (H1 FY15 TRIFR of 3.92)

Graham Yerbury
Chief Financial Officer

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Key financial headlines

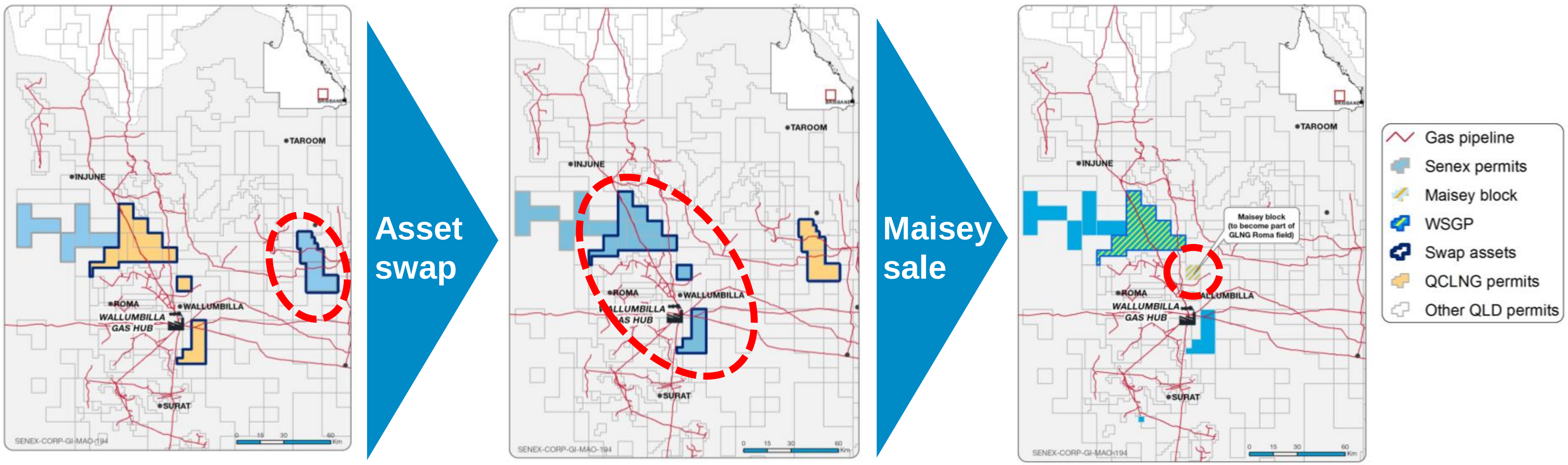
Significant improvements in operating and corporate costs

	H1 FY16	H1 FY15	Change	
Production (mmboe)	0.54	0.74	(27%)	⬇
Sales volumes (mmboe)	0.52	0.72	(28%)	⬇
Average realised oil price (A$ per barrel)	71	97	(27%)	⬇
Capital spend ($ million)	17.3	51.7	(67%)	⬇
Sales revenue ($ million)	36.8	69.9	(47%)	⬇
Oil operating cost excluding royalties ($ per barrel)	27.8	31.2	(11%)	⬇
Underlying G&A costs ($ million)	6.8	11.1	(39%)	⬇
Underlying NPAT ($ million)	5.2	1.6	225%	⬆
Statutory NPAT ($ million)	(27.1)	(65.9)	59%	⬆
Operating cash flow ($ million)	25.1	19.0	32%	⬆
Cash balance ($ million)	99.6	74.9	33%	⬆
Liquidity ($ million)	176.9	74.9	136%	⬆

Building a material east coast gas business

Unlocking shareholder value through a series of strategic transactions

- A series of strategic transactions have delivered a material 100% held growth project and monetised the Maisey block, resulting in a $38 million gain on sale:



December 2014 asset swap:

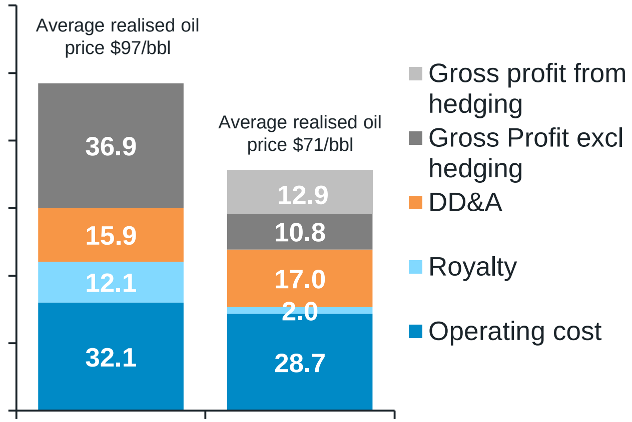
- Senex exchanged minority interests in QGC operated eastern Surat Basin gas permits for 100% operatorship of three QGC JV western Surat Basin permits
- Nil cash consideration paid

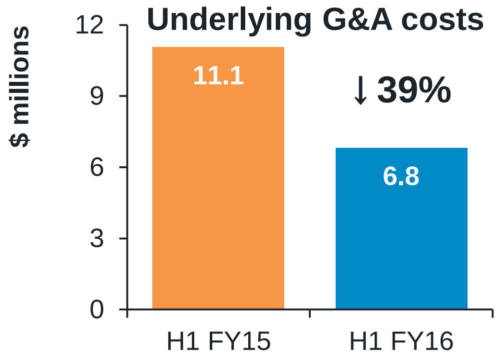
December 2015 sale of Maisey block:

- Major agreements with GLNG providing commercialisation and financing pathway for the project
- Sale of Maisey block for $42 million plus valuable suite of technical data
- 20 year binding Gas Sales Agreement

Oil margins

Margins protected by hedging and cost reductions



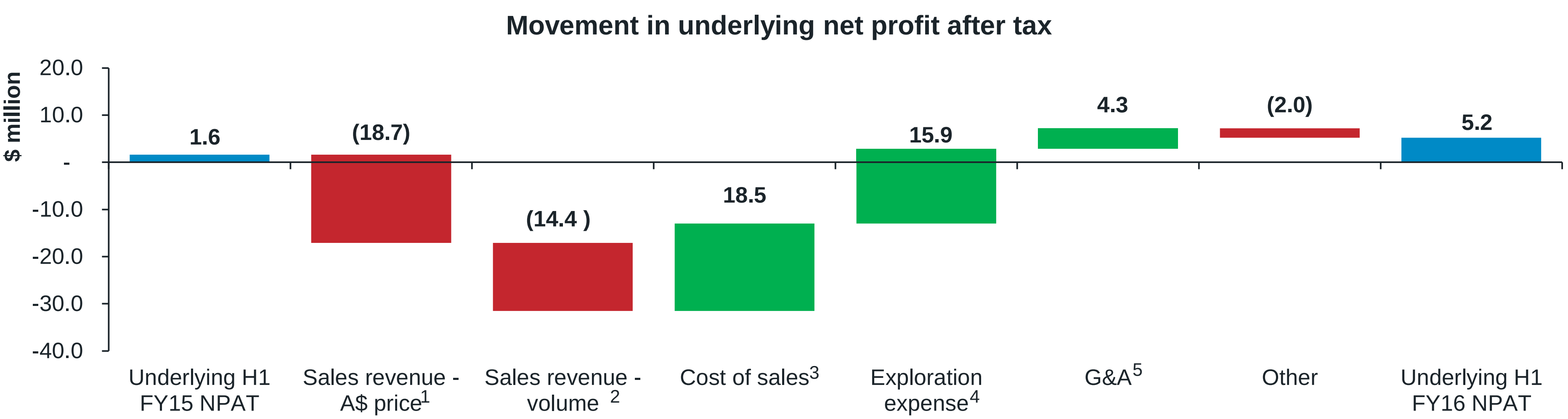


- Gross profit margin supported by:
  - $7 million of net hedging gains which have protected the average realised oil price[1]
  - Weakening AUD and reduction in royalties partly offsetting impact of oil price
  - Slightly higher DD&A per barrel on lower volumes
  - Material reductions in operating costs achieved
- General and administrative costs reduced through efficiencies achieved across the business: reduced employee expenses and increased rates of utilisation

(1) Brent crude down 45% from US$93/bbl average in H1 FY15 to US$51/bbl average in H1 FY16; average realised oil price down 27% from A$97/bbl to A$71/bbl

Underlying NPAT reconciliation

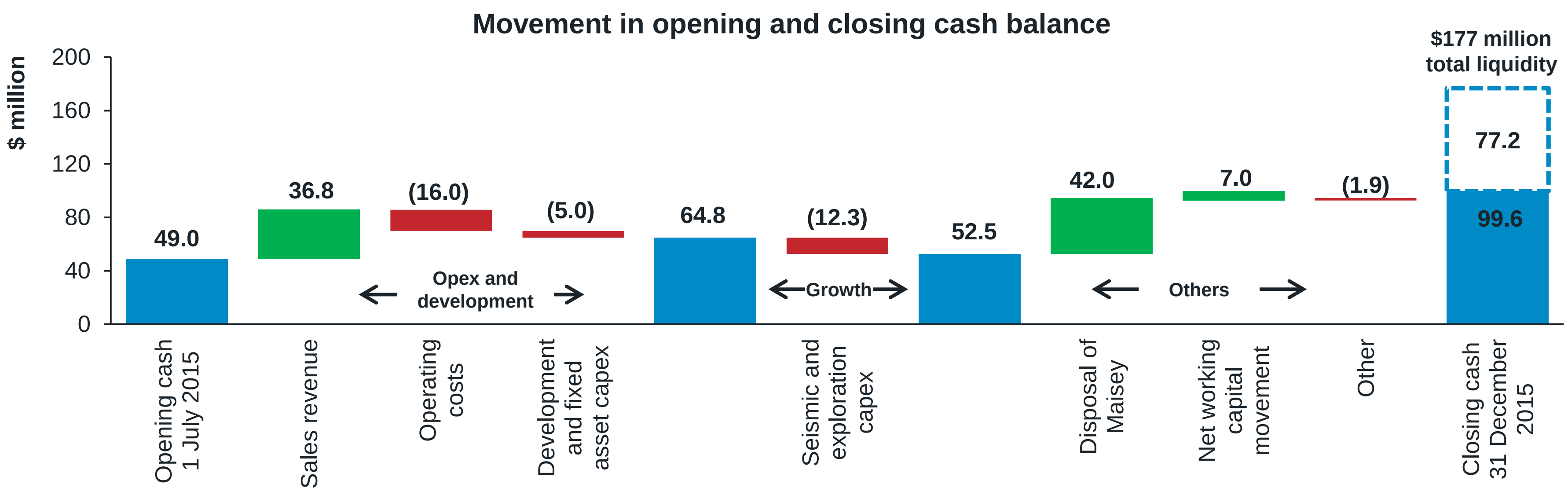
Corporate and operational cost savings outweigh lower oil price



1. Sales revenue down on lower average realised price, primarily due to sustained fall in Brent crude prices
2. Sales revenue down on lower volumes of hydrocarbons sold, primarily due to lower capital investment
3. Cost of sales improvement on unit operating cost savings, lower royalties and lower volumes
4. Significant reduction in exploration expense given reduced capex
5. G&A improvement through business efficiencies achieved

Operating cash reconciliation

Robust funding position



- Cash reserves of $100 million at 31 December 2015 with a $77 million undrawn debt facility
- Capex program significantly reduced in response to lower oil prices
- $42 million cash inflow received from GLNG in exchange for the sale of the Maisey block
- Net working capital reduction principally on lower receivables due to lower oil price

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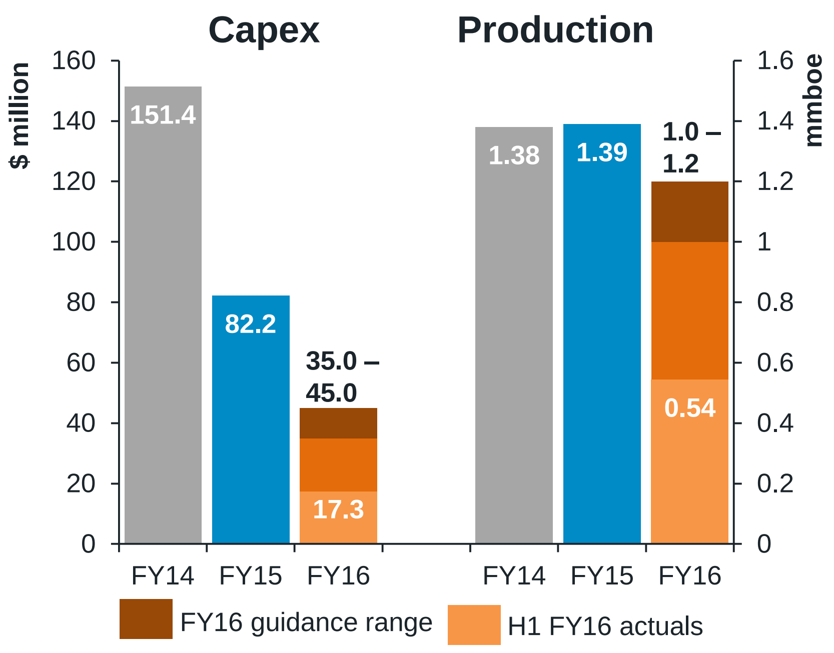
FY16 capital expenditure and production

On track to deliver in line with guidance



Capital spend ($ million)	H1 FY16 actual	FY16 guidance
Cooper Basin	13	15 – 20
Surat Basin	4	20 – 25
Total equity capex	**17**	**35 – 45**
Origin Energy free carry	9	25 – 35
Total capital deployed	**26**	**60 – 80**

FY16 capex

- Significant year on year capex reductions since FY14
- First half capital program targeted near-term production and cash flow generation
- Second half capital program focused on preparation for production testing on Western Surat Gas Project
- Strong financial position maintained with over $80 million of cash expected at end FY16

FY16 production

- Reduced capital investment since January 2015 has an ongoing and cumulative impact on production
- On track to deliver production within guidance range
- Natural field decline partially offset by new well connections
- Martlet-2 well now online; expect to bring the Vanessa-1ST well online during H2 FY16

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Outlook

Surviving a downside oil price scenario (lower for longer)

- **Strategy is unchanged**: maturing oil and gas exploration assets into production and achieving a material gas business, but acknowledging the realities of a “lower for longer” oil price environment
- **Financial strength:** $100 million cash and no debt to service, with low unit cash costs
- **Business remains profitable**: portfolio of producing assets remains cash positive at all points on the US$ Brent forward curve
  - Material cost savings have been achieved, supporting profit margins even at current prices
  - Hedging for FY17 is not presently attractive due to cost of protection and market volatility
  - Current US$ Brent forward curve supports all fields remaining online
- **Disciplined capital allocation in pursuit of growth**: live within our means, but continuing to invest where opportunities meet our economic criteria
  - Consider external opportunities which increase scale at the right price
  - Western Surat Gas Project appraisal funded through GLNG payment
  - Take advantage of lower costs in the service sector
  - Ability to quickly increase capital programs given Senex operates all key assets
- **Strongly positioned for an oil price recovery**: Senex has retained and progressed growth opportunities within the portfolio while simultaneously maturing its exploration opportunity set

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Cooper Basin oil program

A self-funding, focused work program

During H1 FY16:

- Work program focused on oil production
- Building and refining regional petroleum system model while conserving capital expenditure
- Reduced operating cost reflects cost saving measures

Ongoing strategy:

- Target high value drilling prospects that meet economic criteria
- Take advantage of lower cost environment for capital projects
- Extended production testing on southern Cooper Basin wells as part of Murta tight oil pilot project, majority funded by Halliburton
- Continue to meet all commitments and retain long term tenure in Cooper Basin

Halliburton conducts fracture stimulation of the Ventura-2 well, southern Cooper Basin

Spotlight: Murta Formation tight oil project

- Project will evaluate the commerciality of the Murta Formation
- Commerciality dependent on the response of the reservoir to fracture stimulation and production testing
- Mirage-6 and Ventura-2 wells brought online in January 2016; both show productivity increases
- Halliburton agreement can be expanded to two further vertical wells
- Horizontal well appraisal programs a further step towards commercialisation

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Cooper Basin gas program

Progressing growth projects

During H1 FY16:

- Unconventional gas project with Origin Energy: two-well drilling campaign successfully completed under budget and ahead of schedule in the Allunga Trough
- Vanessa gas field: achieved mechanical completion of surface facilities ready for commissioning

Ongoing strategy:

- Unconventional gas opportunity with Origin Energy:
  - JV partners remain aligned on the stage 1 work program for which Senex is free carried for its share
  - Conduct fracture stimulation and testing campaign on southern wells during H2 FY16
  - Progressing targets for two-well drilling campaign in the northern JV area (Patchawarra Trough)
- Vanessa gas field: bring online during H2 FY16
- Take advantage of lower cost environment for capital projects

Construction of the Vanessa pipeline (now complete)

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Western Surat Gas Project

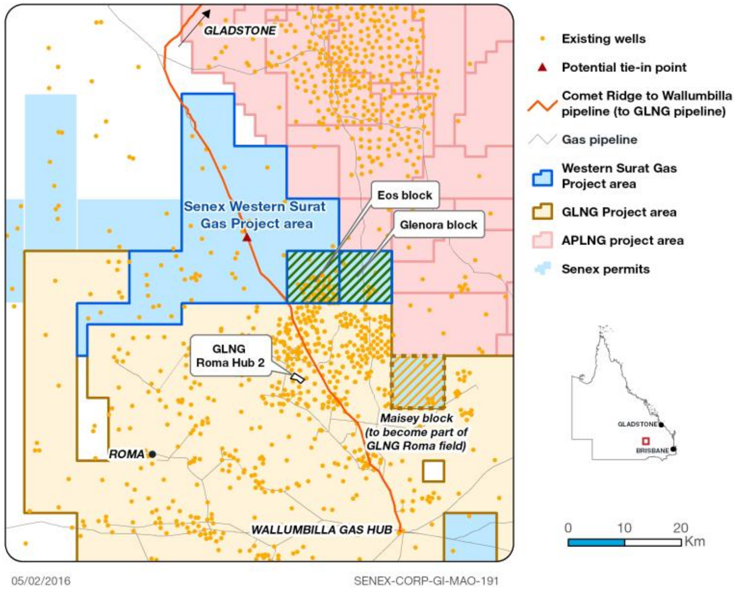
Material, near-term growth project

During H1 FY16:

- Completed value accretive transactions with GLNG ($42 million cash and 20 year GSA) and received technical data suite on proximate wells

Ongoing strategy:

- Phase 1 work program to provide information on reservoir quality and performance, and the opportunity for early raw gas sales
- Flexibility of GSA allows for staged approach to development
- Take advantage of lower cost environment for field services as well as combined learnings from existing large scale developments
- Continue work on community engagement, environmental and cultural heritage management targeting approval of our EIS in 2017
- Engineering design phase will be informed by Phase 1 results and peer performance to deliver an optimal full field development plan and reach FID



Spotlight: Phase 1 work program

- Appraisal testing of c. 15 wells
- Planning throughout H2 FY16
- Construction and first gas during FY17
- Utilise existing infrastructure (wells, lease pads, access roads etc) wherever possible
- Potential to monetise raw gas production through sale to GLNG
- Initial appraisal activity focused on the Eos and Glenora blocks

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Maintaining financial strength and pursuing growth in the changed oil price environment

Maintaining strength in the business	• Senex remains in a very strong financial position to weather the downturn, with $100 million cash and no debt to service • Balance sheet will not be put at risk for any opportunity • Reduced G&A and low unit cash costs
Pursuing growth	• The Western Surat Gas Project is a near term opportunity to develop a major new revenue stream from a large 2P reserve base • Maximising the opportunity to mature the exploration portfolio • Considering external opportunities which increase scale at the right price • Focusing on high value opportunities that position Senex strongly for an oil price recovery

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Appendix | Net profit after tax

Statutory and underlying net profit

$ million	H1 FY16	H1 FY15
Revenue	36.8	69.9
Operating costs	(16.0)	(31.8)
Gain on sale of Maisey block	38.2	-
Other revenue/costs[1]	(2.6)	(4.5)
EBITDAX	**56.4**	**33.5**
Exploration expense	(2.5)	(18.4)
Depreciation & amortisation	(10.4)	(13.3)
Impairment	(69.7)	(86.5)
Net Finance Costs	(0.9)	0.3
Tax benefit/(expense)	-	18.5
Statutory NPAT	**(27.1)**	**(65.9)**
Impairment	69.7	86.5
Redundancies	0.8	-
Gain on sale of assets	(38.2)	-
Tax (benefit)/expense	-	(19.0)
Underlying NPAT	5.2	1.6

H1 FY16 NPAT driven by:

- $38 million gain on sale of the Maisey block
- Lower royalties given the lower oil price
- Lower oil operating cost of $27.8 per barrel, excluding royalties (H1 FY15: $31.2)
- Significantly lower exploration expense (successful efforts basis applied)
- Net G&A savings
- Effective tax rate of 0%

Offset by:

- Lower US$ Brent oil price
- Non-cash impairment charge of $69.7 million reflecting lower oil price environment

(1) Other revenue/costs includes flowline revenue, other income, other operating expenses, general and administrative expenses

Numbers may not add precisely to totals provided due to rounding

Appendix | EBITDAX and G&A

EBITDAX reconciliation $ million	H1 FY16	H1 FY15
Statutory net profit (loss) after tax	**(27.1)**	**(65.9)**
Add/(less):		
Net interest	0.9	(0.3)
Tax	-	(18.5)
Amortisation & depreciation	10.4	13.3
Impairment	69.7	86.5
EBITDA	**53.9**	**15.1**
Add:		
Oil and gas exploration expense	2.5	18.4
EBITDAX	**56.4**	**33.5**

G&A reconciliation $ million	H1 FY16	H1 FY15	Saving
Net G&A	**6.0**	**5.4**	**(0.6)**
Add back redundancies	0.8	-	
Deduct foreign exchange gains	1.7	5.7	
Underlying G&A	**6.8**	**11.1**	**4.3**

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Appendix | Non-cash impairment

Impairment reflects prudent response to lower oil price environment

- Senex's operating outlook remains strong
- Impairment charge reflects conservative approach to capital allocation:
  - Deferral/cessation of development activity in the near term
  - Long term oil price of US$74/bbl real and AUD/USD exchange rate of 0.77

$ million	H1 FY16	H1 FY15
Statutory net loss after tax	(27.1)	(65.9)
Adjusted for:		
Gain on sale of Maisey block	(38.2)	-
Impairment of exploration assets	69.7	51.7
Impairment of oil properties	-	34.8
Redundancy costs	0.8	-
Tax (benefit)/ expense	-	(19.0)
Underlying net profit after tax	5.2	1.6

Assumptions used for impairment testing

	US$ Brent (Nominal)
2016	$48 / bbl
2017	$57 / bbl
2018	$67 / bbl
2019	$71 / bbl
2020+	$74 / bbl (real 2020)

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